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SUBJECT: NEWLY-APPOINTED DPM HAI NIXES GANNON PROJECT

REF: (A) HANOI 1379 ("Chevron Executives Discuss Energy");

- (B) HANOI 1616 ("Prodding the GVN");
- (C) HANOI 1569 ("GVN Poised To Choose Airbus");
- (D) HANOI 1550 ("Czars in the Making?")

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¶1. (SBU) SUMMARY: During a September 18 meeting with Ambassador Michalak, new Deputy Prime Minister (DPM) Hoang Trung Hai said that U.S. power-producer Gannon would not receive a license to build a clean coal-fired plant in central Vietnam. Hai also asked the Ambassador to urge ConocoPhillips to resume work in a disputed area of the South China Sea, supported the Chevron Malay-Tho Chu Basin gas concession, and said he recently signed a letter ordering a state-owned cable company to stop broadcasting pirated signals. For his part, Ambassador Michalak advocated for commercial deliverables, outlined his priorities in Vietnam, and urged the GVN to tackle copyright and trademark infringement issues. END SUMMARY.

GVN TO TURN DOWN GANNON POWER GENERATION PROJECT

¶2. (SBU) During their one-hour long meeting, the DPM told Ambassador Michalak that the proposal by U.S. power producer Gannon to develop a 750-megawatt gas power plant in Dong Nai Province in central Vietnam would not go forward. DPM Hai explained that Vietnam does not have adequate gas supplies to fuel the plant and that there is local resistance to the project due to environmental concerns. Although Ambassador Michalak emphasized Gannon's clean coal and low emissions, Hai said the GVN has concluded that the already high pollution levels in Dong Nai Province created by the existing, small capacity 150-megawatt coal-fired plant rule out construction of Gannon's proposed additional and much larger power station.

¶3. (SBU) As an alternative, the DPM recommended that Gannon submit bids for a new 1,200-megawatt power station in central Vietnam's Thanh Hoa Province. DPM Hai also said that he was favorably inclined to the proposal by the U.S. company AES to develop the Mong Duong II coal-fired power plant in Quang Ninh Province, saying he would request an update from relevant authorities regarding ongoing negotiations.

¶4. (SBU) Turning to another important energy project, the Ambassador said he was "pleased to hear" that the DPM recently signed a directive ordering state-owned oil company PetroVietnam to speed up negotiations with Chevron over the U.S. energy company's gas concession in Blocks B and 52/97 in the Malay-Tho Chu Basin in the Gulf of Thailand (REF A). The DPM acknowledged the long-running Chevron-PetroVietnam negotiations and said it is "now time for the

relevant parties to come to a timely conclusion." Underscoring Vietnam's difficulty in securing adequate natural gas supplies, the DPM also urged the Ambassador to push ConocoPhillips to speed up its exploration for gas in Block 5-3 in a disputed area of the South China Sea.

COPYRIGHT INFRINGEMENT AND SIGNAL PIRACY

15. (SBU) Ambassador Michalak noted that Vietnam's Supreme Court has yet to issue a circular criminalizing commercial-scale copyright and trademark infringement more than eight months after WTO accession (REF B). He asked the DPM to expedite publication of this important circular and Hai promised to inquire into the matter. Unprompted, the DPM also informed the Ambassador that he recently signed a letter ordering Vietnam's state-owned cable broadcaster VTC to negotiate "a lawful agreement" with the U.S. and other foreign channels whose signals VTC steals and broadcasts.

FLYING THE DREAMLINER

16. (SBU) Advocating for Boeing's ongoing effort to sell 787 "Dreamliner" to state-owned Vietnam Airlines, the Ambassador pointed out that the airline would enjoy a 10-year operating cost reduction of \$400 million by procuring the 787 instead of the Airbus A350 (REF C). He added that a Boeing aircraft purchase would also be effective way to address the trade gap between our two countries. The Ambassador also noted that Boeing is currently assisting Vietnam Airlines to prepare to fly to the United States in 2008-9 and said that he looked "forward to riding aboard a Boeing 787 on the inaugural flight from Vietnam to the United States." In response, the DPM acknowledged that Vietnam Airlines is poorly equipped to manage Vietnam's rapidly expanding tourism market and said he would ask the airline to "expedite the talks" with Boeing.

REFORMING VIETNAM'S HYDROCARBONS REGULATORY FRAMEWORK

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17. (SBU) The Ambassador and Hai also discussed Vietnam's plans to reform its hydrocarbons' laws. Ambassador Michalak offered United States know-how and assistance. "We stand ready to help," he said, and encouraged the Ministry of Industry and Trade (MOIT) to go to the United States to review our hydrocarbons regulations. Hai thanked him and acknowledged the GVN must develop additional provisions for Vietnam's mid and downstream petroleum and gas sector and that he would speak with MOIT officials about the possibility of traveling to the United States.

HAI'S NEW POSITION AND ROLE AS DPM

18. (SBU) DPM Hai is one of two new Deputy Prime Ministers in the GVN with oversight over the MOIT, and the ministries of Agriculture, Rural Development, Natural Resources and the Environment (REF D). The Ambassador noted that he looked forward to working with DPM Hai on a "full range of economic issues." Ambassador Michalak also gave the DPM a brief overview of the three areas in which he hopes to make significant progress during his tenure in Vietnam, including human rights issues; deepening and expanding the U.S.-Vietnam economic relationship; and increasing opportunities for Vietnamese students to study abroad in the United States.

COMMENT

19. (SBU) After a prolonged silence, the GVN appears to have come to the conclusion that Gannon's project is not a good fit for Vietnam. In delivering the news, Minister Hai showed himself to be well-informed and already plugged in to the decision-makers in the Prime Minister's office. Whether he can break the gridlock that delayed a decision on Gannon and other long-pending projects involving U.S. businesses remains less certain.

